USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.09

Required Report - public distribution

Date: 4/22/2008

GAIN Report Number: RS8032

Russian Federation

Sugar

Sugar Annual Report

2008

Approved by:
Kimberly Svec
U.S. Embassy

Prepared by:
Erik Hansen, Mikhail Maksimenko, Kimberly Svec, Cynthia Ann DuBois

Report Highlights:
Sugar beet acreage is forecast to remain flat in marketing year (MY) 2009. Beet sugar production will decrease in MY 2008 but is forecast to rebound in MY 2009. Russia will increase refined sugar exports due to large raw sugar imports. Seasonal raw sugar import duties will remain in effect until May 31, 2008.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Moscow [RS1]
[RS]

Table of Contents

Executive Summary

The total acreage devoted to sugar beet production will be stable in the 2009 marketing year (MY) largely due to the fact that sugar refineries are in need of a stable supply of domestic raw material for processing. According to the State Statistics Service (Rosstat), Russian sugar beet production decreased 6.2 percent, to 28.8 million metric tons (MMT) in MY2008 predominately due to a 10.7 percent decrease in yields from 32.5 MT/ha in MY2007 to 29.1 MT/ha in MY2008. Sugar production in MY2009 is predicted to remain steady at MY2008 levels. Refined sugar production in MY2008 will reach 6.05 MMT, up 4 percent from MY 2007. Beet sugar production will decrease in MY 2008 to 3 MMT from 3.15 MMT in MY 2007, but is forecast to rebound to 3.1 in MY2009. Russian imports of raw sugar increased by 26 percent in MY2007 over MY2006. During this period, Brazil was the leading raw sugar supplier. Imports of refined sugar grew by 15 percent. Belarus and Moldova were the largest exporters of refined sugar to Russia in 2007, while Polish exports decreased. Russia imported 180,000 MT of sugar from Belarus in 2007 and will import 100,000 MT of sugar in 2008, in accordance with an agreement with Belarus. Beginning January 2009, beet sugar from Belarus will be imported into Russia duty free. Russia will increase exports of refined sugar to neighboring countries in MY2009 to reduce pressure from increased raw sugar imports on the domestic sugar market. The major companies in the sugar market are Prodimpexs, Rusagro, Rasgulay, Euroservice, Dominant and Sugden. These companies control more than 55 percent of the sugar market in Russia. Sugar refineries hope to expand their beet production acreage due to concerns that there will not be enough raw material for traditional processing.

NOTE: The Russian government reports sugar data according to calendar year and does not use a marketing year. However, this report calculates all data according to the international marketing year (Sept/August) unless directly stated otherwise. Therefore, for example, MY2009 refers to production in late 2008. USDA data on Russian sugar production will not match official Russian statistics due to the difference between the reporting years.

Production

In the Russian Federation, sugar beets are planted in April/May and harvested in September through November. Total sugar beet acreage will be stable in MY2009, as government policy intervention is expected to prevent a drop in acreage. A few months ago, sugar beet producers predicted a decline in total acreage devoted to sugar beets due to the high demand for crops used to make bio-fuel and methanol. Total area devoted to winter crops increased by 2.0 million hectares due to the high domestic and international demand for grain, which has resulted in price increases. The Russian Ministry of Agriculture forecasts an increase in area sown to spring grains throughout Russia. Furthermore, farmers could decrease sugar beet production due to a possible decrease in the retail price of sugar during the beet processing season, due to increased imports of raw sugar. Analysts predict that the total acreage devoted to grain crops will increase as more idle land is converted. Moreover, to avoid a reduction in the total land area devoted to beet production, the Government of the Russian Federation introduced a seasonal quota on raw sugar that will be enforced until May 31, 2008. According to Russian Government Resolution issued in March 2008, the upper price limit for calculating the seasonal import duty on raw cane sugar was eliminated. This is an effort to prevent considerable increases in raw sugar cane imports and the accumulation of raw sugar cane supplies prior to August 2008, the start of the sugar beet harvest.

The proportion of sugar beet acreage in relation to total crop acreage increased slightly in MY2008, reaching 1.4 percent. According to Rosstat, in Russia sugar beet production decreased 6.2 percent to 28.8 MMT in MY2008. This is predominately due to a 10.7 percent decrease in total yields, 29.1 MT/ha in MY2008 versus 32.5 MT/ha in MY2007. Sugar refineries hope to expand their beet production acreage due to concerns that there will not be enough raw material for traditional processing. Sugar production in MY2009 is predicted to remain steady at MY2008 levels.

Table 1: Sugar beet production and yield, for all farm types, CY2007 and CY2008

	CY 2007	CY 2008	2007 as % of 2006
Sugar beet acreage, 1,000 hectares	1,003	1,065	106.3
Yield, MT/ha	32.5	29.1	89.3
Harvest, total 1,000MT	30.9	28.8	93.4

Source: Rosstat

PS&D Table Sugar Beets

PSD Table

Country **Russian Federation**

Commodity **Sugar Beets** (1000 HA)(1000 MT)

	2007 Revised			2008 Estimate			2009 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		09.2006	09.2006		09.2007	09.2007		09.2008	09.2008	MM/YYYY
Area Planted	1070	1120	1070	1150	1150	1150	0	0	1150	(1000 HA)
Area Harvested	1040	1080	1040	1100	1100	1100	0	0	1100	(1000 HA)
Production	22000	30000	31000	24000	28000	28800	0	0	29500	(1000 MT)
Total Supply	22000	30000	31000	24000	28000	28800	0	0	29500	(1000 MT)
Used for Sugar	22000	30000	31000	24000	28000	28800	0	0	29500	(1000 MT)
Used for Alcohol	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Distribution	22000	30000	31000	24000	28000	28800	0	0	29500	(1000 MT)

Production of Sugar and Sugar Containing Products

Beet sugar production will decrease in MY 2008 to 3 MMT from 3.15 MMT in MY 2007, but is forecast to rebound to 3.1 in MY2009. In February, the State Statistics Service (Rosstat) reported that Russia had reduced granulated sugar production to 146,000 MT in January 2008, a 59-percent reduction from the same time period in 2007. Sugar produced from domestic sugar beets decreased 86.1 percent to 16,000 MT in January. Stocks were further depleted in January 2008 than January 2007. The reduction in raw sugar production can be attributed to the fact that several companies imported large quantities of raw sugar towards the end of 2007 and did not immediately process it given that no major supplies are expected in the next few months due to the introduction of a seasonal import duty on raw sugar.

Sugar production including processing of imported white sugar cane, totaled 6.069 MT in CY2007, compared with 5.8 MT in CY2006 (see Table 2). This increase is primarily due to an increase in the production of sugar from imported sugar cane. Importers increased sugar cane imports in anticipation of seasonal tariffs. During MY 2008, 81 of the 96 Russian refineries were active, including one producing cubic sugar (refined) and two that processed only raw sugar. The sugar content of sugar beets was 0.3 percent higher in MY2007 than in MY2006.

Table 2: Production of Sugar and Sugar Containing Products in CY2007

Commodity	CY2007	2007 as % of 2006
Sugar production, total, MMT	6.069	104.0
From sugar beet, MMT	3.209	100.7
From raw sugar, MMT	2.859	108.1
Cubic sugar, 1,000MT	41	113.1
Canned fruits , mln conditional tins [1]	8,736	128.5
Wine from grapes, mln decalitres	51	108.8
Wine from fruits, mln decalitres	3.4	110.3
Beer, mln decalitres	1,160	115.9

Source: State Statistics Service (Rosstat)

PS&D Table Sugar

PSD Table

Country Russian Federation

Commodity Sugar, Centrifugal (1000 MT)

	2007	Revised		2008	Estimate		2009	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10.2006	10.2006		10.2007	10.2007		10.2008	10.2008	MM/YYY
Beginning Stocks	470	470	470	440	440	470	400	400	360	(1000 M
Beet Sugar Production	3150	3150	3150	3000	3000	3000	0	0	3100	(1000 M
Cane Sugar Production	0	0	0	0	0	0	0	0	0	(1000 M
Total Sugar Production	3150	3150	3150	3000	3000	3000	0	0	3100	(1000 M
Raw Imports	2650	2650	3000	2850	2850	3100	0	0	3000	(1000 M
Refined Imp.(Raw Val)	300	300	300	300	300	300	0	0	300	(1000 M
Total Imports	2950	2950	3300	3150	3150	3400	0	0	3300	(1000 M
Total Supply	6570	6570	6920	6590	6590	6870	400	400	6760	(1000 M
Raw Exports	0	0	0	0	0	0	0	0	0	(1000 M
Refined Exp.(Raw Val)	180	180	350	200	200	360	0	0	370	(1000 M
Total Exports	180	180	350	200	200	360	0	0	370	(1000 M
Human Dom. Consumption	5950	5950	6100	5990	5990	6150	0	0	6190	(1000 M
Other Disappearance	0	0	0	0	0	0	0	0	0	(1000 M
Total Use	5950	5950	6100	5990	5990	6150	0	0	6190	(1000 M
Ending Stocks	440	440	470	400	400	360	0	0	200	(1000 M
Total Distribution	6570	6570	6920	6590	6590	6870	0	0	6760	(1000 M

Consumption

Increases in Russian sugar consumption are predominately due to the growth of the food processing industry, particularly the production of candies, canned fruit, wine, and beer.

[1] 1 conditional tin = 400 grams

Trade

The Federal Customs Service reported that Russia imported 650,000 MT more sugar cane in October 2006 - September 2007 than during the same period the prior year, a 26-percent increase. Brazil was the leading raw sugar supplier for the period. Imports of refined sugar grew by 15 percent. Belarus and Moldova were the largest exporters of raw sugar to Russia, while Polish exports significantly decreased.

Table 3: Russian Imports of Sugars, MY2005, MY2006, MY2007, Metric Tons

	Description	Oct 04-Sep 05	Oct 05-Sep 06	Oct 06-Sep 07
17	Sugars	3,450,263	2,656,980	3,382,592
1701	Cane, Beet, Solid Form	3,333,458	2,536,683	3,198,469
170111	Cane, Raw, Solid Form	3,175,113	2,421,362	3,070,840
170199	Pure Sucrose, Ref	158,115	114,920	127,112

Source: World Trade Atlas

Table 4: Russian Imports of Raw Sugar, 170111, by Country, MY2005 - 2007, Metric Tons

Rank	Country	Oct 04-Sep 05	Oct 05-Sep 06	Oct 06-Sep 07
0	The World	3,175,113	2,421,362	3,070,840
1	Brazil	2,651,304	2,106,944	2,600,966
2	Cuba	185,811	55,502	174,821
3	Argentina	0	82,058	126,762
4	El Salvador	65,002	76,709	102,461
5	Thailand	73,992	25,498	63,659

Source: World Trade Atlas

Table 5: Russian Imports of Pure Sucrose, 170199, by Country, MY2005- 2007, Metric Tons

Rank	Country	Oct 04-Sep 05	Oct 05-Sep 06	Oct 06-Sep 07
0	The World	158,116	114,919	127,112
1	Moldova	3,999	8,498	44,864
2	Poland	58,184	68,626	37,844
3	Brazil	0	0	19,978
4	Kazakhstan	41,036	21,063	10,496
5	Colombia	0	0	6,110
6	Mauritius	490	1,439	2,594
7	Finland	2,306	257	1,869
8	United States	145	570	791

Source: World Trade Atlas

Russia is forecast to increase exports of refined sugar to neighboring countries in MY2009. In MY 2007, Russia exported more refined sugar than it imported for the first time in several decades, and this trend is expected to continue for the near future.

Table 6: Russian Exports Refined Sugar, 1701 by Country, MY2005- 2007, Metric Tons

Rank	Country	-	KG	Oct 04-Sep 05	KG	Oct 05-Sep 06	KG	Oct 06-Sep 07
0	--The World--	-		137,862		130,09		346,157
1	Kazakhstan	-		26,841		53,334		123,152
2	Tajikistan	-		16,970		30,67		86,531
3	Uzbekistan	-		752		8		60,544
4	Afghanistan	-		2,752		11,725		25,427
5	Turkmenistan	-		2,000		947		22,582
6	Georgia	-		951		6,131		13,140

Source: World Trade Atlas

Russia started sugar futures trading

On September 19, 2007, the Russian stock exchange "Russian Trade System" began trading futures on deliverable sugar. After the first 1.5 months of trading, trade volumes reached RUR23.5 million ($1 million) or 1,600 MT of sugar, 325 MT of which were actually shipped to the customer.

The exchange's press service reported that, at the beginning of March, futures contract for shipments of sugar in July, October, and November 2008 and March 2009 were available for trading. Trade volumes in January-February 2008 were valued at RUR92 million ($3.9 million) and represented 5,445 MT. Sugar market analysts concluded that the major players in the Russian sugar market are not actively participating in futures trading due to a lack of knowledge on it usefulness and how it operates.

Retail sugar prices

Sugar prices fell 4.8 percent in December 2007 in comparison with December 2006. Two factors play a probable role in this decline – low prices for raw sugar in the world market and increased raw sugar imports by the Russian Federation.

Table 7: Retail Sugar Prices, RUR/kilo

	2006		2007	
	Exch. Rate, RU/$	RUR/kilo	Exch. Rate, RU/$	RUR/kilo
January	28.48	21.9	26.49	22.4
February	28.19	28.5	26.20	22.2
March	27.76	29.5	25.56	21.6
April	27.66	27.3	25.69	21.4
May	27.03	26.2	25.90	21.4
June	27.08	25.8	25.67	21.7
July	26.87	27.9	25.41	21.9
August	26.73	28.0	25.76	23.5
September	26.79	27.2	25.48	22.7
October	26.95	24.6	24.98	22.2
November	26.70	23.2	24.51	21.9
December	26.34	22.7	24.44	21.6

Source: State Statistics Service (Rosstat)

Policy

Seasonal duties remain in effect until the end of May

According to Russian Government Resolution No. 218, issued March 28, 2008, the upper price limit for calculating the seasonal import duty on raw cane sugar was eliminated. Due to a previous government resolution issued in October 2007, the seasonal duty, which is legislated to end May 31, 2008 (see Gain RS7072), could expire earlier if the price of raw sugar in New York exceeds the upper price limit of $259.99 per ton, or 11.79 cents per pound. If the upper price limit had not eliminated, there could have been a sharp increase in imports, which would have lead to the accumulation of large stocks of raw sugar prior to the Russian sugar beet harvest (see Gain RS8016).

Other relevant reports

RS8016 Sugar Union Demands More Government Support
http://www.fas.usda.gov/gainfiles/200803/146293871.doc

RS7072 Seasonal Sugar Import Tariffs Published
http://www.fas.usda.gov/gainfiles/200710/146292767.pdf